

CALHOUN COUNTY

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2004

NEWS RELEASE

FOR RELEASE

Hunzelman, Putzier & Co., PLC today released an audit report on Calhoun County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$12,677,886 for the year ended June 30, 2004, which included \$834,303 in tax credits from the state. The County forwarded \$7,911,485 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,766,401 of the local tax revenue to finance County operations. Other revenues included charges for service of \$1,094,156, operating grants and contributions of \$5,208,411, capital grants and contributions of \$837,710, unrestricted investment earnings of \$61,651 and other general revenues of \$137,397.

Expenses for County operations totaled \$10,922,978. Expenses included \$3,451,365 for Physical Health and Social Services, \$3,215,497 for Roads and Transportation, and \$1,220,112 for Mental Health.

A copy of the audit report is available for review in the office of the Auditor of the State and the County Auditor's office.

CALHOUN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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CALHOUN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2005
Gary Nicholson	Board of Supervisors	Jan. 2005
Larry Hood	Board of Supervisors	Jan. 2007
Judy Howrey	County Auditor	Jan. 2005
Lori Erkenbrack	County Treasurer	Jan. 2007
Marty Minnick	County Recorder	Jan. 2007
William A. Davis	County Sheriff	Jan. 2005
Cynthia Voorde	County Attorney	Jan. 2007
John Lawson	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Calhoun County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Calhoun County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 17 to the financial statements, during the year ended June 30, 2004, Calhoun County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2004 on our consideration of Calhoun County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein). We expressed an unqualified opinion on the financial statements for the year ended June 30, 2003, and qualified opinions on the financial statements for the years ended June 30, 2002 and 2001 because they did not include materials and supplies inventory. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungelman, Putzier & Co.

October 14, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 20, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Calhoun County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Calhoun County's governmental fund revenues increased \$829,186 from fiscal year 2003. Property tax and other county tax increased approximately \$48,118 from fiscal year 2003.
- Calhoun County's governmental fund expenditures increased \$396,537 from fiscal year 2003.
- The County's net assets increased 13.3%, or \$1,182,748, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Self Funding Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Calhoun County's combined net assets for fiscal year 2004 totaled approximately \$10.1 million, increasing from \$8.9 million for fiscal year 2003. The analysis that follows focuses on the changes of the net assets for governmental activities.

<u>Net Assets of Governmental Activities</u>		<u>June 30, 2004</u>
Current and other assets		\$ 10,557,347
Capital assets		<u>5,434,035</u>
Total assets		<u>15,991,382</u>
Long-term liabilities		652,116
Other liabilities		<u>5,233,284</u>
Total liabilities		<u>5,885,400</u>
Net assets		
Invested in capital assets		5,434,035
Restricted		2,272,983
Unrestricted		<u>2,398,964</u>
Total net assets		<u>\$ 10,105,982</u>

Net assets of Calhoun County's governmental activities increased by \$1,182,748 from fiscal year 2003. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	Year Ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 1,094,156
Operating grants, contributions, and restricted interest	5,208,411
Capital grants, contributions, and restricted interest	837,710
General revenues:	
Property tax	4,499,565
Penalty and interest on property tax	35,808
State tax credits	266,836
Grants and contributions not restricted to specific purposes	24,482
Unrestricted investment earnings	61,651
Other general revenues	77,107
Total revenues	<u>12,105,726</u>
Program expenses:	
Public safety and legal services	1,135,547
Physical health and social services	3,451,365
Mental health	1,220,112
County environment and education	447,997
Roads and transportation	3,215,497
Governmental services to residents	309,561
Administration	945,571
Non-program	157,185
Interest on long-term debt	40,143
Total expenses	<u>10,922,978</u>
Increase in net assets	1,182,748
Net assets beginning of year, as restated	<u>8,923,234</u>
Net assets end of year	<u>\$ 10,105,982</u>

Calhoun County increased property taxes from a total levy of 9.39762 to 11.26965 due to a valuation decrease from fiscal year 2004 to fiscal year 2005 of \$123,636,003. The County does not anticipate a substantial change in the rate for fiscal year 2006.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$5,244,632, an increase of \$471,775 above last year's total of \$4,772,857. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues decreased by \$3,887 and expenditures increased by \$282,500. The General fund ending balance increased by \$94,311 from the prior year to \$3,329,697. The departments usually spend 90% of their budget trying to have something to work with in case an expenditure arises that was not anticipated. Budget amendments are expensive to the taxpayer with publications costing approximately \$250 each time, and because of other work involved.

- Mental Health revenues increased by \$27,678. Mental health expenditures increased by \$10,492. The deficit fund balance at the end of fiscal year 2004 was \$512,922. There has been an ongoing steady increase in a negative balance for five years. The former CPC was spending beyond the budget and revenues received. We have levied the maximum for many years but to no avail. Due to a special state audit, the former CPC is no longer employed due to embezzlement for erroneous mileage claims and other issues. The County has entered into a three county agreement sharing of a new CPC as of the fall of 2004 and the results are being seen already as to savings and cost reductions.
- Rural Services Fund ending balance increased by \$25,163 from the prior year.
- Secondary Roads Fund revenues increased by \$170,729 and expenditures increased by \$84,156. The ending fund balance of \$1,069,374 was a \$71,042 increase from the prior year. Secondary Road Fund expenses are unpredictable because of weather, road repairs, bridges, gravel, salt, etc. for winter weather.
- Capital Projects Fund expenditures increased by \$80,011 from fiscal year 2003 to fiscal year 2004. Due to election equipment compliance requirements, a complete voter equipment change is effective for January 1, 2006. Also, the Board of Supervisors have committed \$100,000 for the next three years for the bike trail at Twin Lakes.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget two times. The first amendment was made on November 25, 2003 and resulted in an increase in budgeted disbursements of \$252,000 consisting of a soil and water conservation part time secretary of \$5,000, construction of a bike trail of \$100,000, REAP fund \$47,000 for bike trail, and capital projects for conservation land acquisition of \$100,000. The revenues increase of \$446,000 consisted of a Vision Iowa Grant, county contribution, and other contributions for North Twin Lakes bike project of \$300,000, and reimbursement from DOT of \$146,000 for the bike trail. The second amendment was made on May 25, 2004. This amendment consisted of revenue from EMS grants, Department of Health Grants and SILO election reimbursement of \$131,618, and expenditures of \$541,168 for autopsy, EMS, Department of Health, and Mental Health of \$400,000, SILO election, township workshop, and administrative refund.

With these amendments, the County did not exceed the amounts budgeted. However, disbursements in the Mental Health department exceeded the amount appropriated.

CAPITAL ASSETS

Capital Assets

At June 30, 2004, Calhoun County had approximately \$5.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	<u>June 30, 2004</u>
Land	\$ 291,930
Buildings and improvements	810,649
Equipment and vehicles	4,058,438
Construction in progress	<u>273,018</u>
Total	<u>\$ 5,434,035</u>

The County had depreciation expense of \$366,581 in fiscal year 2004 and total accumulated depreciation of \$2,940,466 at June 30, 2004.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget and tax rates. One of the factors concerning Calhoun County is the age of the population. The census for 1990 was 11,580 and in 2000 was 11,115.

The aging population was taken into consideration by the Health Department and the grants that would be the most beneficial concerning this factor.

Budget disbursements are expected to rise by an increased wage, and increase in the cost of health care benefits.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditors Office, 416 4th St., Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and pooled investments	\$ 4,893,015
Receivables:	
Property tax:	
Delinquent, net of \$19,864 allowance	6,079
Succeeding year	4,027,292
Interest and penalty on property tax	17,616
Accounts	102,166
Accrued interest	20,926
Notes	318,000
Due from other governments	493,961
Inventories	613,226
Prepaid insurance	65,066
Capital assets (net of accumulated depreciation)	<u>5,434,035</u>
Total assets	<u>15,991,382</u>
 <u>LIABILITIES</u>	
Accounts payable	402,420
Salaries and benefits payable	187,382
Due to other governments	553,252
Interest payable	56,582
Deferred revenue:	
Succeeding year property tax	4,027,292
Other	6,356
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	337,259
Portion due or payable after one year:	
Drainage warrants payable	<u>314,857</u>
Total liabilities	<u>5,885,400</u>
 <u>NET ASSETS</u>	
Invested in capital assets	5,434,035
Restricted for:	
Supplemental levy purposes	726,596
Mental health purposes	(515,028)
Secondary roads purposes	958,363
Other purposes	874,109
Unrestricted	<u>2,627,907</u>
Total net assets	<u>\$ 10,105,982</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,135,547	\$ 37,161	\$ 73,573	\$ -	\$ (1,024,813)
Physical health and social services	3,451,365	801,294	1,857,291	-	(792,780)
Mental health	1,220,112	-	750,156	-	(469,956)
County environment and education	447,997	36,384	114,805	200,000	(96,808)
Roads and transportation	3,215,497	135	2,407,823	-	(807,539)
Governmental services to residents	309,561	212,698	-	-	(96,863)
Administration	945,571	6,484	4,763	-	(934,324)
Non-program	157,185	-	-	637,710	480,525
Interest on long-term debt	40,143	-	-	-	(40,143)
Total	<u>\$ 10,922,978</u>	<u>\$ 1,094,156</u>	<u>\$ 5,208,411</u>	<u>\$ 837,710</u>	<u>(3,782,701)</u>
General Revenues:					
Property and other county tax					4,499,565
Penalty and interest on property tax					35,808
State tax credits					266,836
Grants and contributions not restricted to specific purpose					24,482
Unrestricted investment earnings					61,651
Miscellaneous					<u>77,107</u>
Total general revenues					<u>4,965,449</u>
Change in net assets					1,182,748
Net assets beginning of year					<u>8,923,234</u>
Net assets end of year					<u>\$ 10,105,982</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

Exhibit C

		Special Revenue Funds				Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Capital Projects	Special Revenue	Total
<u>ASSETS</u>							
Cash and pooled investments	\$ 2,632,486	\$ 103,032	\$ 400,471	\$ 451,126	\$ 246,230	\$ 773,298	\$ 4,606,643
Receivables:							
Property tax:							
Delinquent	20,910	3,059	1,974	-	-	-	25,943
Succeeding year	2,689,408	401,106	936,778	-	-	-	4,027,292
Interest and penalty on property tax	17,616	-	-	-	-	-	17,616
Accounts	90,877	-	-	10,565	-	724	102,166
Accrued interest	20,857	-	-	-	-	6	20,863
Notes	318,000	-	-	-	-	-	318,000
Due from other governments	391,275	1,628	-	83,350	-	17,708	493,961
Inventories	-	-	-	613,226	-	-	613,226
Prepaid insurance	102,849	430	348	53,786	-	-	157,413
Total assets	<u>\$ 6,284,278</u>	<u>\$ 509,255</u>	<u>\$ 1,339,571</u>	<u>\$ 1,212,053</u>	<u>\$ 246,230</u>	<u>\$ 791,736</u>	<u>\$ 10,383,123</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 109,627	\$ 63,543	\$ 2,338	\$ 78,037	\$ 17,287	\$ 1,588	\$ 272,420
Salaries and benefits payable	118,517	1,435	2,788	64,642	-	-	187,382
Due to other governments	-	553,252	-	-	-	-	553,252
Interest payable	-	-	-	-	-	56,582	56,582
Deferred revenue:							
Succeeding year property tax	2,689,408	401,106	936,778	-	-	-	4,027,292
Other	37,029	2,841	1,693	-	-	-	41,563
Total liabilities	<u>2,954,581</u>	<u>1,022,177</u>	<u>943,597</u>	<u>142,679</u>	<u>17,287</u>	<u>58,170</u>	<u>5,138,491</u>
Fund balances:							
Reserved for:							
Inventories	-	-	-	613,226	-	-	613,226
Supplemental levy purposes	877,080	-	-	-	-	-	877,080
Drainage warrants	-	-	-	-	-	53,371	53,371
Unreserved, reported in:							
General fund	2,452,617	-	-	-	-	-	2,452,617
Special revenue funds	-	(512,922)	395,974	456,148	-	680,195	1,019,395
Capital projects fund	-	-	-	-	228,943	-	228,943
Total fund balances	<u>3,329,697</u>	<u>(512,922)</u>	<u>395,974</u>	<u>1,069,374</u>	<u>228,943</u>	<u>733,566</u>	<u>5,244,632</u>
Total liabilities and fund balances	<u>\$ 6,284,278</u>	<u>\$ 509,255</u>	<u>\$ 1,339,571</u>	<u>\$ 1,212,053</u>	<u>\$ 246,230</u>	<u>\$ 791,736</u>	<u>\$ 10,383,123</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Exhibit D

Total governmental fund balances	\$ 5,244,632
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets, used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$8,374,501 and the accumulated depreciation is \$2,940,466.	5,434,035
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	41,563
The allowance for uncollectible accounts receivable is not reported in the funds	(19,864)
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	57,732
Compensated absences payable and drainage warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(652,116)
Net assets of governmental activities	<u>\$10,105,982</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

Exhibit E

		Special Revenue			Capital	Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Projects	Special Revenue	Total
Revenues:							
Property and other County tax	\$ 3,061,992	\$ 406,212	\$ 1,036,305	\$ -	\$ -	\$ -	\$ 4,504,509
Interest and penalty on property tax	35,254	-	-	-	-	-	35,254
Intergovernmental	2,399,382	760,286	56,568	2,355,000	-	111,029	5,682,265
Licenses and permits	9,344	-	-	135	-	-	9,479
Charges for service	744,069	-	-	-	-	85,204	829,273
Use of money and property	125,765	-	-	-	-	1,436	127,201
Miscellaneous	24,691	1,862	354	52,469	-	842,129	921,505
Total revenues	<u>6,400,497</u>	<u>1,168,360</u>	<u>1,093,227</u>	<u>2,407,604</u>	<u>-</u>	<u>1,039,798</u>	<u>12,109,486</u>
Expenditures:							
Operating:							
Public safety and legal services	1,125,528	-	1,451	-	-	506	1,127,485
Physical health and social services	3,442,855	-	-	-	-	-	3,442,855
Mental health	-	1,220,833	-	-	-	-	1,220,833
County environment and education	368,569	-	116,970	-	-	50,429	535,968
Roads and transportation	-	-	25,576	3,233,301	-	-	3,258,877
Governmental services to residents	300,871	-	2,656	-	-	-	303,527
Administrative	823,195	-	-	-	-	-	823,195
Non-program	3,753	-	344	-	-	193,231	197,328
Capital projects	-	-	-	135,776	123,004	151,526	410,306
Total expenditures	<u>6,064,771</u>	<u>1,220,833</u>	<u>146,997</u>	<u>3,369,077</u>	<u>123,004</u>	<u>395,692</u>	<u>11,320,374</u>
Excess (deficiency) of revenues over expenditures	<u>335,726</u>	<u>(52,473)</u>	<u>946,230</u>	<u>(961,473)</u>	<u>(123,004)</u>	<u>644,106</u>	<u>789,112</u>
Other financing sources (uses):							
Proceeds of fixed asset sales	2,043	-	-	19,740	-	-	21,783
Operating transfers in	-	-	-	1,012,775	151,750	-	1,164,525
Operating transfers out	(243,458)	-	(921,067)	-	-	-	(1,164,525)
Proceeds/payment of drainage warrants	-	-	-	-	-	(339,120)	(339,120)
Total other financing sources (uses)	<u>(241,415)</u>	<u>-</u>	<u>(921,067)</u>	<u>1,032,515</u>	<u>151,750</u>	<u>(339,120)</u>	<u>(317,337)</u>
Net change in fund balances	94,311	(52,473)	25,163	71,042	28,746	304,986	471,775
Fund balances, beginning of year	<u>3,235,386</u>	<u>(460,449)</u>	<u>370,811</u>	<u>998,332</u>	<u>200,197</u>	<u>428,580</u>	<u>4,772,857</u>
Fund balances, end of year	<u>\$ 3,329,697</u>	<u>\$ (512,922)</u>	<u>\$ 395,974</u>	<u>\$ 1,069,374</u>	<u>\$ 228,943</u>	<u>\$ 733,566</u>	<u>\$ 5,244,632</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Exhibit F

Net change in fund balances - Total governmental funds \$ 471,775

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. Capital outlay expenditures and
contributed capital assets exceeded depreciation expense in the current
year as follows:

Expenditures for capital assets	\$ 785,348	
Depreciation expense	<u>(366,581)</u>	418,767

In the Statement of Activities, the loss on the disposition of capital assets
is reported whereas the governmental funds report the proceeds from the
sale as an increase in financial resources. (24,844)

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds as follows:

Property tax	(4,944)	
Other	<u>554</u>	(4,390)

The decrease in the allowance for uncollectible accounts receivable is not
reported in the fund financial statements. 1,477

Proceeds from issuing long-term liabilities provide current financial
resources to governmental funds, but issuing debt increases long-term
liabilities in the Statement of Net Assets. Repayment of long-term
liabilities is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the Statement of Net Assets. Current year
repayments exceeded issues as follows:

Repaid	339,120
--------	---------

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

Compensated absences	(20,153)
----------------------	----------

The Internal Service Fund is used by management to charge the costs of
employee health benefits to individual funds. The change in net assets of
the Internal Service Fund is reported with governmental activities.

996

Change in net assets of governmental activities \$1,182,748

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

Exhibit G

Internal
Service-
Self
Funding
Insurance

ASSETS

Cash and cash equivalents	\$ 286,372
Accrued interest	63
Total assets	<u>286,435</u>

LIABILITIES

Accounts payable	130,000
Deferred revenue	98,703
Total liabilities	<u>228,703</u>

NET ASSETS

Unrestricted	<u>\$ 57,732</u>
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See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

Exhibit H

Internal
Service-
Self
Funding
Insurance

Operating revenues:		
Reimbursements from operating funds		\$ 1,222,943
Operating expenses:		
Medical claims	\$1,219,860	
Administrative fees	<u>2,717</u>	<u>1,222,577</u>
Operating income		366
Non-operating revenues:		
Interest on investments		<u>630</u>
Net income		996
Net assets beginning of year		<u>56,736</u>
Net assets end of year		<u>\$ 57,732</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

Exhibit I

	Internal Service- Self Funding <u>Insurance</u>
Cash flows from operating activities:	
Cash received from county employees and others	\$ 72,580
Cash received from insurance company reimbursements	24,687
Cash received from operating fund reimbursements	1,125,125
Cash payments for medical claims and administrative fees	<u>(1,107,576)</u>
Net cash provided by operating activities	114,816
Cash flows from investing activities:	
Interest on investments	<u>584</u>
Net increase in cash and cash equivalents	115,400
Cash and cash equivalents, beginning of year	<u>170,972</u>
Cash and cash equivalents, end of year	<u><u>\$ 286,372</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 366
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	115,000
Decrease in deferred revenue	<u>(550)</u>
Net cash provided by operating activities	<u><u>\$ 114,816</u></u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2004

Exhibit J

ASSETS

Cash and pooled investments:

County treasurer \$ 537,134

Other county officials 41,366

Receivables:

Property tax:

Delinquent 92,910

Succeeding year 7,336,005

Accounts 17,680

Total assets 8,025,095

LIABILITIES

Accounts payable 8,743

Salaries and benefits payable 6,831

Due to other governments 8,007,752

Trusts payable 1,769

Total liabilities 8,025,095

Net Assets \$ -

See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Calhoun County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred sixty-seven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues, (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Fund Equity - (Continued)

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. The County also had no infrastructure additions during the year that exceeded the capitalization threshold listed below. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	35
Equipment	4-50
Vehicles	6-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County, and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Fund Equity - (Continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the mental health function.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Auditing Standards Board Statement Number 3.

The County's investments at June 30, 2004 include drainage district warrants with a carrying amount of \$79,826. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$536,205 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 91,708
	Special Revenue:	
	Rural Services	921,067
Capital Projects	General	<u>151,750</u>
Total		<u>\$1,164,525</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 291,930	\$ -	\$ -	\$ 291,930
Construction in progress	26,490	246,528	-	273,018
Total capital assets not being depreciated	<u>318,420</u>	<u>246,528</u>	<u>-</u>	<u>564,948</u>
Capital assets being depreciated:				
Buildings	1,194,999	-	-	1,194,999
Equipment and vehicles	6,418,718	614,165	(418,329)	6,614,554
Total capital assets being depreciated	<u>7,613,717</u>	<u>614,165</u>	<u>(418,329)</u>	<u>7,809,553</u>
Less accumulated depreciation for:				
Buildings	358,587	25,763	-	384,350
Equipment and vehicles	2,533,438	340,818	(318,140)	2,556,116
Total accumulated depreciation	<u>2,892,025</u>	<u>366,581</u>	<u>(318,140)</u>	<u>2,940,466</u>
Total capital assets being depreciated, net	<u>4,721,692</u>	<u>247,584</u>	<u>(100,189)</u>	<u>4,869,087</u>
Governmental activities capital assets, net	<u>\$5,040,112</u>	<u>\$494,112</u>	<u>\$(100,189)</u>	<u>\$5,434,035</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 24,603
Physical health and social services	4,171
County environment and education	12,088
Roads and transportation	287,343
Governmental services to residents	6,544
Administration	<u>31,832</u>
Total depreciation expense - governmental activities	<u>\$366,581</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection.

A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ 553,252
Total for governmental funds		<u>\$ 553,252</u>
Agency:		
County Assessor	Collections	\$ 280,125
Schools		4,547,062
Community Colleges		303,187
Corporations		2,228,011
Auto License and Use Tax		189,927
All other		<u>459,440</u>
Total for agency funds		<u>\$8,007,752</u>

6. CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Drainage Warrants</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$653,977	\$317,106	\$971,083
Increases	-	20,153	20,153
Decreases	<u>339,120</u>	<u>-</u>	<u>339,120</u>
Balance, end of year	<u>\$314,857</u>	<u>\$337,259</u>	<u>\$652,116</u>
Due within one year	<u>\$ -</u>	<u>\$337,259</u>	<u>\$337,259</u>

7. DRAINAGE WARRANTS

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

8. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$232,074, \$229,003, and \$214,551 respectively, equal to the required contributions for each year.

9. RISK MANAGEMENT

Calhoun County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 was \$124,854.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

9. RISK MANAGEMENT - (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. SELF FUNDING INSURANCE PLAN

The Internal Service, Self Funding Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions in the Self Funding Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Self Funding Insurance Fund. The County's contribution for the year ended June 30, 2004 was \$1,125,125.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10. SELF FUNDING INSURANCE PLAN - (Continued)

Amounts payable from the Self Funding Insurance Fund at June 30, 2004 total \$130,000 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$57,732 at June 30, 2004 and is reported as a designation of the Internal Service, Self Funding Insurance Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	<u>\$ 15,000</u>
Included claims (including claims incurred but not reported at June 30, 2004):	
Current year events	<u>1,337,577</u>
Total incurred claims	<u>1,337,577</u>
Payments:	
Current year events	1,195,789
Prior year events	<u>26,788</u>
Total payments	<u>1,222,577</u>
Unpaid claims end of year	<u>\$ 130,000</u>

11. E911 NOTE PAYABLE AND COUNTY GUARANTEE

During the fiscal year ended June 30, 2003, Calhoun County made a \$318,000 loan to the Calhoun County E911 Service Board. The ten year loan is interest free. Repayments on the loan were to begin during the fiscal year that ended June 30, 2004. The loan was to be paid off at a rate of \$35,000 (four quarterly payments of \$8,750) per year for each of the first nine years with the balance of \$3,000 to be paid during the tenth year. During the year ended June 30, 2004, the payments that the E911 Service Board had intended to make to Calhoun County were inadvertently redeposited in the Service Board's account. A corrective transfer will be made during the fiscal year ended June 30, 2005 and the remainder of the loan will be repaid as originally scheduled.

12. DEFICIT FUND BALANCE

The Special Revenue - Mental Health fund had a deficit balance of \$512,922 at June 30, 2004. The deficit balance was a result of accounts payable as of June 30, 2004.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

13. DESIGNATED FUND BALANCE

The Board of Supervisors has designated \$215,000 from the Conservation Land Acquisition Fund fund balance, \$100,000 from the General Fund fund balance, and \$40,000 from the Resource Enhancement and Protection fund balance for trail and campground development. In the Secondary Road Fund, \$122,639 is designated for equipment. In the Capital Projects Funds, \$70,925 is designated for the purchase of computer and election equipment, and to complete installation of heating and cooling units in the Courthouse.

14. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2004 which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-04</u>	<u>Remaining Commitment As of 6-30-04</u>
Purchases of gravel	\$ 91,000	\$ 88,088	\$ 2,912
2005 Mack Truck	\$102,000	\$ -	\$102,000
Purchase of 73 acres for conservation	\$ 66,430	\$ 13,286	\$ 53,144
Purchase of 42 acres for conservation	\$ 52,500	\$ 10,500	\$ 42,000
Twin Lakes Trail Project	\$182,284	\$174,317	\$ 7,967

The balance remaining at June 30, 2004 will be paid as work on the projects progresses. The purchases of land and the trail project will be paid as grants are awarded. If no grants are awarded, the balance will be paid by the Conservation Land Acquisition Trust or from designated funds in the General and R.E.A.P. funds.

15. FARM LEASE

The County has entered into an agreement to lease 236.5 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$34,117 per year for each of the three years of the lease with payments of \$11,372 being due on or before each March 15, August 15, and December 1, of 2002, 2003, and 2004. This agreement commenced on March 1, 2002 and will end on February 28, 2005.

16. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

16. JUVENILE DETENTION CENTER - (Continued)

The Center's activity for the fiscal year ending June 30, 2004, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$1,575,088
Receipts	1,247,213
Disbursements	<u>1,041,138</u>
Net assets, end of year	<u>\$1,781,163</u>

The Center has designated a portion of the net assets for future capital projects. The amount designated for this purpose totaled \$900,000 at June 30, 2004.

The Center has no short or long-term debt outstanding at June 30, 2004. Audited financial statements can be obtained from the administrative office of the center located in Eldora, Iowa.

17. ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements report the County's governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$4,772,857
GASB 34 adjustments:	
Allowance for uncollectible accounts receivable	(21,341)
Capital assets, net of accumulated depreciation of \$2,892,024	5,040,112
Internal Service Fund	56,736
Long-term liabilities	(971,083)
Deferral of long-term assets	<u>45,953</u>
Net assets July 1, 2003, as restated	<u>\$8,923,234</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

18. SPECIAL INVESTIGATION

The Calhoun County Attorney requested the Office of Auditor of State to perform a special investigation of the Central Point of Coordination for Calhoun and Pocahontas Counties as a result of alleged inappropriate disbursements to the Central Point Coordinator (CPC). The special investigation identified \$55,598 of improper or unsupported disbursements to the CPC, of which \$23,183 was for client visits that did not occur or meetings that were not attended, \$1,595 was for duplicate travel claims, and \$28,980 was for travel costs that were supported by inadequate documentation or explanation. The investigation also concluded that the Counties incurred salary and related costs of \$1,615 for the time the CPC claimed to be working for the Counties but was instead making personal visits. The resignation of the CPC was accepted at a meeting of the Calhoun County Board of Supervisors on September 2, 2004. The Calhoun County Attorney is attempting to recover the County's losses from its employee theft insurer. Copies of the Auditor of State's special investigation were filed with the Calhoun and Pocahontas County Attorneys, the Division of Criminal Investigation, and the Attorney General's Office.

19. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES - BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$4,502,544	\$ -	\$ 4,502,544	\$ 4,559,554	\$ 4,559,554	\$ (57,010)
Interest and penalty on property tax	35,224	-	35,224	25,000	25,000	10,224
Intergovernmental	5,535,517	-	5,535,517	5,631,214	5,745,937	(210,420)
Licenses and permits	7,963	-	7,963	6,550	23,445	(15,482)
Charges for service	764,239	-	764,239	746,405	746,405	17,834
Use of money and property	141,302	-	141,302	176,340	476,340	(335,038)
Miscellaneous	1,023,205	637,710	385,495	121,800	267,800	117,695
Total receipts	12,009,994	637,710	11,372,284	11,266,863	11,844,481	(472,197)
Disbursements:						
Public safety and legal services	1,122,633	-	1,122,633	1,232,585	1,262,089	139,456
Physical health and social services	3,403,465	-	3,403,465	3,769,642	3,872,941	469,476
Mental health	1,096,427	-	1,096,427	709,372	1,109,372	12,945
County environment and education	580,343	-	580,343	467,854	619,854	39,511
Roads and transportation	3,465,770	-	3,465,770	3,505,725	3,505,725	39,955
Governmental services to residents	298,301	-	298,301	335,626	343,641	45,340
Administration	808,088	-	808,088	935,692	935,692	127,604
Non-program	230,686	226,829	3,857	7,125	7,475	3,618
Capital projects	399,978	-	399,978	391,750	491,750	91,772
Total disbursements	11,405,691	226,829	11,178,862	11,355,371	12,148,539	969,677
Excess (deficiency) of receipts over disbursements	604,303	410,881	193,422	(88,508)	(304,058)	497,480
Other financing sources (uses)	(327,798)	(339,120)	11,322	1,000	1,000	10,322
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	276,505	71,761	204,744	(87,508)	(303,058)	507,802
Balance beginning of year	4,330,138	281,717	4,048,421	3,969,711	3,969,711	78,710
Balance end of year	\$4,606,643	\$ 353,478	\$ 4,253,165	\$ 3,882,203	\$ 3,666,653	\$ 586,512

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$12,009,994	\$ 99,492	\$ 12,109,486
Expenditures	<u>11,405,691</u>	<u>(85,317)</u>	<u>11,320,374</u>
Net	604,303	184,809	789,112
Other financing sources, net	(327,798)	10,461	(317,337)
Beginning fund balances	<u>4,330,138</u>	<u>442,719</u>	<u>4,772,857</u>
Ending fund balances	<u>\$ 4,606,643</u>	<u>\$ 637,989</u>	<u>\$ 5,244,632</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$793,168. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the E911 Service Board, and for Disaster Services by the Calhoun County Emergency Management Commission.

OTHER SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004

Schedule 1

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	County Recorder's Electronic Transactions Fund	Conservation Land Acquisition	Total
ASSETS									
Cash and pooled investments	\$ 40,980	\$ 353,478	\$ 6,289	\$ 9,501	\$ 9,744	\$ 25,170	\$ 22,689	\$ 305,447	\$ 773,298
Receivables:									
Accounts receivable	-	-	-	724	-	-	-	-	724
Accrued interest	-	-	-	6	-	-	-	-	6
Due from other governments	-	-	-	-	-	3,342	14,196	170	17,708
Total assets	<u>\$ 40,980</u>	<u>\$ 353,478</u>	<u>\$ 6,289</u>	<u>\$ 10,231</u>	<u>\$ 9,744</u>	<u>\$ 28,512</u>	<u>\$ 36,885</u>	<u>\$ 305,617</u>	<u>\$ 791,736</u>
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable	\$ -	\$ 1,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,588
Interest payable	-	56,582	-	-	-	-	-	-	56,582
Total liabilities	<u>-</u>	<u>58,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,170</u>
Fund equity:									
Fund balances:									
Reserved for drainage warrants	-	53,371	-	-	-	-	-	-	53,371
Unreserved	40,980	241,937	6,289	10,231	9,744	28,512	36,885	305,617	680,195
Total fund equity	<u>40,980</u>	<u>295,308</u>	<u>6,289</u>	<u>10,231</u>	<u>9,744</u>	<u>28,512</u>	<u>36,885</u>	<u>305,617</u>	<u>733,566</u>
Total liabilities and fund equity	<u>\$ 40,980</u>	<u>\$ 353,478</u>	<u>\$ 6,289</u>	<u>\$ 10,231</u>	<u>\$ 9,744</u>	<u>\$ 28,512</u>	<u>\$ 36,885</u>	<u>\$ 305,617</u>	<u>\$ 791,736</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 2

	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	County Recorder's Electronic Transactions Fund	Conservation Land Acquisition	Total
Revenues:									
Intergovernmental	\$ 9,463	\$ -	\$ 1,566	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 111,029
Charges for service	-	-	-	3,017	342	9,121	36,885	35,839	85,204
Use of money and property	314	-	-	64	-	-	-	1,058	1,436
Miscellaneous	25,918	637,709	-	-	-	-	-	178,502	842,129
Total revenues	35,695	637,709	1,566	3,081	342	9,121	36,885	315,399	1,039,798
Expenditures:									
Operating:									
Public safety and legal services	-	-	506	-	-	-	-	-	506
County environment and education	50,429	-	-	-	-	-	-	-	50,429
Non-program	-	193,231	-	-	-	-	-	-	193,231
Capital projects	-	-	-	-	-	-	-	-	-
Total expenditures	50,429	193,231	506	-	-	-	-	151,526	395,692
Excess (deficiency) of revenues over expenditures	(14,734)	444,478	1,060	3,081	342	9,121	36,885	163,873	644,106
Other financing uses:									
Drainage district warrants	-	(339,120)	-	-	-	-	-	-	(339,120)
Excess (deficiency) of revenues over expenditures and other financing uses	(14,734)	105,358	1,060	3,081	342	9,121	36,885	163,873	304,986
Fund balances beginning of year	55,714	189,950	5,229	7,150	9,402	19,391	-	141,744	428,580
Fund balances end of year	\$ 40,980	\$ 295,308	\$ 6,289	\$ 10,231	\$ 9,744	\$ 28,512	\$ 36,885	\$ 305,617	\$ 733,566

See accompanying independent auditor's report.

CALHOUN COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND
 AND LIABILITIES - AGENCY FUNDS
 JUNE 30, 2004

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments:										
County treasurer	\$ -	\$ 2,279	\$ 39,723	\$ 89,152	\$ 5,125	\$ 51,515	\$ 2,348	\$ 189,927	\$ 157,065	\$ 537,134
Other County officials	41,366	-	-	-	-	-	-	-	-	41,366
Receivables:										
Property tax:										
Delinquent	-	821	1,816	36,993	2,284	50,321	663	-	12	92,910
Succeeding year	-	109,326	243,207	4,420,917	295,778	2,126,175	139,028	-	1,574	7,336,005
Accounts	752	-	-	-	-	-	-	-	16,928	17,680
Total assets	<u>\$ 42,118</u>	<u>\$ 112,426</u>	<u>\$ 284,746</u>	<u>\$ 4,547,062</u>	<u>\$ 303,187</u>	<u>\$ 2,228,011</u>	<u>\$ 142,039</u>	<u>\$ 189,927</u>	<u>\$ 175,579</u>	<u>\$ 8,025,095</u>
LIABILITIES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ 1,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,287	\$ 8,743
Salaries and benefits payable	-	-	3,165	-	-	-	-	-	3,666	6,831
Due to other governments	40,349	112,426	280,125	4,547,062	303,187	2,228,011	142,039	189,927	164,626	8,007,752
Trusts payable	1,769	-	-	-	-	-	-	-	-	1,769
Total liabilities	<u>\$ 42,118</u>	<u>\$ 112,426</u>	<u>\$ 284,746</u>	<u>\$ 4,547,062</u>	<u>\$ 303,187</u>	<u>\$ 2,228,011</u>	<u>\$ 142,039</u>	<u>\$ 189,927</u>	<u>\$ 175,579</u>	<u>\$ 8,025,095</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 4

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 44,992	\$ 101,955	\$ 321,961	\$ 5,704,251	\$ 329,754	\$ 2,161,101	\$ 157,669	\$ 186,801	\$ 642,758	\$ 9,651,242
Additions:										
Property and other County tax	-	109,351	244,855	4,411,727	295,546	2,141,691	139,278	-	1,570	7,344,018
E911 surcharge	-	-	-	-	-	-	-	-	74,444	74,444
State tax credits	-	6,023	14,583	341,841	19,630	175,738	9,525	-	127	567,467
Office fees and collections	162,865	-	-	-	-	-	-	-	-	162,865
Electronic transaction fee	-	-	-	-	-	-	-	-	15,086	15,086
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,502,739	-	2,502,739
Assessments	-	-	-	-	-	2,386	-	-	-	2,386
Trusts	39,736	-	-	-	-	-	-	-	-	39,736
Miscellaneous	37,145	-	417	-	-	-	-	-	-	39,736
Total additions	239,746	115,374	259,855	4,753,568	315,176	2,319,815	148,803	2,502,739	868,460	906,022
									959,687	11,614,763
Deductions:										
Agency remittances:										
To other governments	203,135	104,903	297,070	5,910,757	341,743	2,252,905	164,433	2,499,613	1,426,866	13,201,425
Trusts paid out	39,485	-	-	-	-	-	-	-	-	39,485
Total deductions	242,620	104,903	297,070	5,910,757	341,743	2,252,905	164,433	2,499,613	1,426,866	13,240,910
Balances end of year	\$ 42,118	\$ 112,426	\$ 284,746	\$ 4,547,062	\$ 303,187	\$ 2,228,011	\$ 142,039	\$ 189,927	\$ 175,579	\$ 8,025,095

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

Schedule 5

	Modified Accrual Basis			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Property and other County tax	\$ 4,504,509	\$ 4,456,391	\$ 4,156,364	\$ 3,875,185
Interest and penalty on property tax	35,254	29,879	38,004	28,065
Intergovernmental	5,682,265	5,410,699	5,349,455	4,701,880
Licenses and permits	9,479	7,235	8,242	7,542
Charges for service	829,273	708,429	774,988	690,801
Use of money and property	127,201	155,856	179,681	268,121
Miscellaneous	921,505	511,811	360,928	566,859
Total	<u>\$ 12,109,486</u>	<u>\$ 11,280,300</u>	<u>\$ 10,867,662</u>	<u>\$ 10,138,453</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,127,485	\$ 1,108,275	\$ 1,026,952	\$ 957,483
Physical health and social services	3,442,855	3,359,161	3,335,317	2,816,259
Mental health	1,220,833	1,210,341	1,356,194	1,300,314
County environment and education	535,968	418,674	250,742	243,272
Roads and transportation	3,258,877	3,143,472	3,208,499	3,047,366
Governmental services to residents	303,527	256,362	243,536	238,112
Administration	823,195	763,239	695,371	675,577
Non-program	197,328	399,368	392,708	183,112
Capital projects	410,306	264,945	227,193	158,721
Total	<u>\$ 11,320,374</u>	<u>\$ 10,923,837</u>	<u>\$ 10,736,512</u>	<u>\$ 9,620,216</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Calhoun County:

We have audited the financial statements of Calhoun County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 14, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-(A, B, K, and L)-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Calhoun County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Calhoun County and other parties to whom Calhoun County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Calhoun County during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Hungelman, Putzier & Co.

October 14, 2004

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.
2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.

Applicable Offices
Auditor, Treasurer,
Recorder, Sheriff

Treasurer, Sheriff,
Recorder

Auditor, Treasurer,
Recorder, Sheriff

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - In a small county, we do the best with the limited number of personnel to accomplish the duties required.

Conclusion - Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004, except the deposits at First Federal Savings Bank exceeded the maximum authorized amount by approximately \$112,400 in October, 2003, and deposits at Security Savings Bank exceeded the maximum authorized amount in October, 2003 and April, 2004 by approximately \$500 and \$10,000, respectively.

Recommendation - A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response - The Calhoun County Treasurer drafted a new resolution and the same was approved by the County Supervisors on October 12, 2004, raising the maximum balance in the Security Savings Bank of Farnhamville, Iowa, from \$400,000 to \$500,000.

Conclusion - Response accepted.

- II-B-04 Certified Budget - The Mental Health Department exceeded the amounts appropriated prior to the budget being amended and at June 30, 2004. Also, E911 exceeded the amount appropriated at June 30, 2004.

Recommendation - The budget should be amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response - Mental Health Budget - The County Auditor advised the Board of the budget situation. See on file the State Auditor's office special investigation of the former CPC. The County now has a different CPC. The E911 budget was done by the former Coordinator who had been battling cancer for several years and was the only one that checked on it. We now have a new E911 Coordinator.

Conclusion - Response accepted.

- II-C-04 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-D-04 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-E-04 Business Transactions - Business transactions between the County and a County official's spouse are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ray's Machine Shop, owned by the spouse of a County employee	Parts and repairs	\$1,563
Howrey Construction, owned by the spouse of a County employee	Tuck pointing	\$1,228
West 66 Service, owned by the spouse of a County employee	Repair and fuel	\$2,738

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Howrey Construction do not appear to be a conflict of interest since the total was less than \$1,500 during the fiscal year. However, the transactions with West 66 Service and Ray's Machine Shop may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa since the total transactions were greater than \$1,500 during the fiscal year.

Recommendation - The County should consult legal counsel to determine the disposition of this matter.

Response - In consultation with the County Attorney concerning West 66 Service and Ray's Machine Shop, this work is not contracted. It provides tires, fuel, oil changes, repairs, etc., for many departments. The spouses have no direct control over any transactions. In a small town, this business can provide many services needed for vehicles.

Conclusion - Response accepted.

- II-F-04 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- II-G-04 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-I-04 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-J-04 County Extension Office - The County Extension office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from county operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension office did not exceed the amount budgeted.

- II-K-04 Financial Condition - The Mental Health Fund had a deficit balance at June 30, 2004 of \$512,922 using the modified accrual basis of accounting.

Recommendation - The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The Board of Supervisors has been aware of this deficit balance for the last 5 years but thought the former CPC was making progress. There is now a different CPC.

Conclusion - Response accepted.

- II-L-04 Excess Balance - The following fund has a balance at June 30, 2004 in excess of one year's expenditures:

Capital Projects

Recommendation - While it appears that this fund may have an excessive balance, this can usually be justified if the County has a specific plan for future expenditures. The County should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response - The County does have specific plans for Capitol Projects and are reducing this fund when the projects are completed.

Conclusion - Response accepted.

- II-M-04 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County retains cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation - The County should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Beginning February 1, 2005, the County will obtain copies of both the front and the back of cancelled checks as discussed and confirmed with the United Bank of Iowa.

Conclusion - Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-N-04 Public Bidder Property - There are properties in the County which currently owe approximately \$90,000 in delinquent property taxes. These properties are currently in "public bidder" status but there has been no recent activity to settle these accounts.

Recommendation - The Treasurer should confer with the County Attorney to determine appropriate remedies to settle these accounts.

Response - This matter has been discussed several times between the County Treasurer and the County Attorney. Now that the County Treasurer has an additional employee and the new motor vehicle system has been in place for nearly one month, at the earliest possible convenience for both offices, the process of clearing up these properties will begin.

Conclusion - Response accepted.